

UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

* * *

HALO ELECTRONICS, INC.,

Plaintiff,

v.

PULSE ELECTRONICS, INC. and
PULSE ELECTRONICS
CORPORATION,

Defendants.

2:07-cv-00331-PMP-PAL

ORDER

Before the Court is Halo Electronics, Inc.'s ("Halo") Motion for a Permanent Injunction (Doc. #505), filed December 21, 2012. Pulse Electronics, Inc. and Pulse Electronics Corporation (collectively "Pulse") filed a Response (Doc. #515) on January 18, 2013. Halo filed a Reply (Doc. #516) on January 25, 2013.

The parties are familiar with the facts and proceedings in this matter, and therefore the Court will repeat them here only when necessary. Halo contends it is entitled to a permanent injunction because it has suffered, and continues to suffer, irreparable harm that will continue absent an injunction. Halo also argues that damages are inadequate to compensate Halo because the ongoing harm to Halo is difficult to quantify and cannot be fully cured by an award of future damages. Halo further contends that the balance of the hardships weighs in Halo's favor because Halo will suffer irreparable harm not compensable by damages, but Pulse will only be required to stop infringing. Halo further contends an injunction would not disserve the public interest because it would protect

1 patent rights and Halo and its licensees provide alternative sources of the patented product.
2 Halo also argues its injunctive relief should include both the standard prohibitions on direct
3 and induced infringement, as well as special provisions to prevent further induced
4 infringement by Pulse.

5 Pulse responds that Halo's evidence does not prove it has suffered irreparable harm,
6 that Halo's litigation actions and licenses show it is not irreparably harmed, and that in any
7 event, Halo cannot demonstrate a nexus between Pulse's infringement and any harm. Pulse
8 further contends that monetary damages are adequate to compensate Halo because Halo
9 licenses its patented design, and thus can place a monetary amount on future infringement.
10 Pulse also argues the balance of the hardships weighs against an injunction because
11 allowing Pulse to make royalty payments and continue selling the infringing products
12 would impose no hardship for Halo, but granting Halo's requested injunctive relief would
13 significantly hinder Pulse's ability to make non-infringing sales outside the United States.
14 Pulse further contends the public interest would not be served by an injunction because the
15 disruption in Pulse's business would adversely affect Pulse's customers, its customers'
16 customers, and consumers. Finally, Pulse contends that if the Court grants an injunction,
17 Halo's proposed injunction is overly broad and the injunction should relate only to Pulse's
18 proven United States sales of the infringing products.

19 **I. ANALYSIS**

20 In patent infringement cases, courts "may grant injunctions in accordance with the
21 principles of equity to prevent the violation of any right secured by patent, on such terms as
22 the court deems reasonable." 35 U.S.C. § 283. A patentee who has proven infringement
23 and is seeking a permanent injunction must demonstrate: "(1) that it has suffered an
24 irreparable injury; (2) that remedies available at law, such as monetary damages, are
25 inadequate to compensate for that injury; (3) that, considering the balance of hardships
26 between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public

1 interest would not be disserved by a permanent injunction.” eBay Inc. v. MercExchange,
2 L.L.C., 547 U.S. 388, 391 (2006). “Absent adverse equitable considerations, the winner of
3 a judgment of validity and infringement may normally expect to regain the exclusivity that
4 was lost with the infringement.” Edwards Lifesciences AG v. CoreValve, Inc., 699 F.3d
5 1305, 1314 (Fed. Cir. 2012). Ultimately, however, “[t]he decision to grant or deny
6 permanent injunctive relief is an act of equitable discretion by the district court.” eBay Inc.,
7 547 U.S. at 391.

8 **A. Irreparable Harm**

9 Halo contends that it has suffered and will continue to suffer irreparable harm due to
10 Pulse’s infringement. Halo argues that Pulse is a direct, large competitor of Halo’s, and
11 Halo has suffered and will continue to suffer irreparable harm resulting from lost sales,
12 price erosion, and lost customer goodwill.

13 Pulse responds that Halo’s evidence does not demonstrate irreparable harm. Pulse also
14 argues Halo cannot demonstrate a nexus between Pulse’s infringement and Halo’s alleged
15 irreparable harm. Pulse further asserts that Halo’s willingness to license its patented design
16 to other competitors shows it is not irreparably harmed by infringement of its patents. Pulse
17 finally argues that Halo’s claim of irreparable injury is negated by Halo’s delay in bringing
18 suit, failure to seek a preliminary injunction, and agreement to stay the case for almost two
19 years.

20 Halo has provided evidence that it directly competes with Pulse and has lost sales and
21 customer goodwill, which is evidence of irreparable harm. Halo also has shown a nexus
22 between this irreparable harm and Pulse’s infringement. Furthermore, that Halo licenses its
23 patented technology to competitors does not negate its showing of irreparable harm as to
24 Pulse, because Pulse poses a larger threat of harm than Halo’s licensees. Halo’s delay in
25 bringing suit also does not show it was not irreparably harmed because the delay was
26 largely out of Halo’s control. Finally, although Halo’s failure to seek a preliminary

1 injunction and delay in lifting the stay provide evidence that Pulse’s infringement does not
2 irreparably harm Halo, considering all of the evidence the balance weighs in favor of
3 finding irreparable harm.

4 1. Halo’s Evidence of Irreparable Harm

5 “[T]he irreparable harm inquiry seeks to measure harms that no damages payment,
6 however great, could address.” Celsis In Vitro, Inc. v. CellzDirect, Inc., 664 F.3d 922, 930
7 (Fed. Cir. 2012). Direct competition between the patentee and the infringer is evidence the
8 patentee is irreparably harmed by the infringing activities. Robert Bosch LLC v. Pylon
9 Mfg. Corp., 659 F.3d 1142, 1152-54 (Fed. Cir. 2011). “Where two companies are in
10 competition against one another, the patentee suffers the harm—often irreparable—of being
11 forced to compete against products that incorporate and infringe its own patented
12 inventions.” Douglas Dynamics, LLC v. Buyers Prods. Co., --- F.3d ----, 2013 WL
13 2158423 at *6 (Fed. Cir. May 21, 2013); see also Merial Ltd. v. Cipla Ltd., 681 F.3d 1283,
14 1306 (Fed. Cir. 2012) (finding irreparable harm when the patentee and infringer were
15 competitors and the infringing product was introduced as a cheaper but otherwise equal
16 alternative to the patentee’s products, which would result in lost market share and price
17 erosion). Loss of sales, loss of customer goodwill, and price erosion also “are all valid
18 grounds for finding irreparable harm.” Celsis, 664 F.3d at 930.

19 Halo and Pulse are direct competitors in the surface mount transformer market. Two
20 of Halo’s witnesses testified that Pulse was one of Halo’s major competitors for surface
21 mount transformers. (Jury Trial Tr. - Day 4 (Doc. #442) at 280; Jury Trial Tr. - Day 5
22 (Doc. #464) at 100, 133-37.) One of Pulse’s witnesses testified that Pulse considered Halo
23 a competitor in the “discretes” market, which included surface mount transformers. (Jury
24 Trial Tr. - Day 6 (Doc. #465) at 68-69, 72-73.) Furthermore, Pulse’s internal documents
25 and website identify Halo as a competitor for discrete products. (Pl.’s Trial Ex. 319 at 42;
26 Decl. of Craig E. Countryman in Support of Halo’s Mot. for Permanent Inj. [“Countryman

Decl.”] (Doc. #506), Ex. A-C.) Halo sells its patented products to companies to which Pulse directly markets and to which Pulse’s customers sell Pulse’s infringing products. (Jury Trial Tr. - Day 2 (Doc. #435) at 13-14; Jury Trial Tr. - Day 4 (Doc. #442) at 277-78; Jury Trial Tr. - Day 5 (Doc. #464) at 29-34; Pl.’s Trial Ex. 282 at 18; Decl. of Jeffrey R. Heaton in Support of Halo’s Mot. for Permanent Inj. [“Heaton Decl.”] (Doc. #507) at ¶ 2; Decl. of Carrie Munson in Support of Def.’s Opp’n to Pl.’s Mot. for Permanent Inj. [“Munson Decl.”] (Doc. #515-1) at ¶ 8.) Thus, Halo and Pulse directly compete in the surface mount transformer market. See Robert Bosch, 659 F.3d at 1153 (“Although the parties dispute the finer details of the nature and extent of their competition, we agree with [the patentee] that the undisputed facts show that it competes with [the infringer] in all of the market segments identified by the parties.”).

Given that Halo and Pulse are direct competitors, Halo has lost sales because of Pulse’s infringement. Halo demonstrated that it has lost business to Cisco, a large company that sells products which incorporate surface mount transformers. Cisco requires that the transformers incorporated into its product be from one of four approved suppliers: Halo, Pulse, and two other companies to which Halo has granted licenses. (Jury Trial Tr. - Day 4 (Doc. #442) at 282-83; Dep. of Hugh Kennedy (Doc. #494) at 33-34.) Each quarter, Cisco divides its transformer requirements between the approved suppliers, giving each one a percentage of Cisco’s overall surface mount transformer requirement. (Jury Trial Tr. - Day 4 (Doc. #442) at 146-47, 194-95, 285.) Thus, it is more likely than not that Halo lost sales to Cisco because of Pulse’s infringing product sales to Cisco, even given the alternative approved suppliers to which Cisco could have given its business. Cf. Robert Bosch, 659 F.3d at 1154 (“While it is true that at least some of [the patentee’s] loss of market share is attributable to other competitors, it is undisputed that it was [the infringer] that secured the Wal-Mart account, which alone accounts for a substantial portion of the entire market.”). Additionally, one of Halo’s Vice Presidents stated that in another instance Pulse reduced its

1 prices on infringing products by 40 percent, which Halo was unable to match, and therefore
2 Halo lost sales to another customer, Siemens. (Heaton Decl. at ¶ 3.) Therefore, Halo has
3 shown it has lost sales because of Pulse's infringement.

4 Halo also has shown it has suffered a loss in customer goodwill. One of Halo's Vice
5 Presidents testified that Halo's patented technology was very important to Halo's business
6 because the technology showed customers that Halo was a technology leader and allowed
7 Halo to distinguish itself over larger competitors. (Jury Trial Tr. - Day 2 (Doc. #435) at 13,
8 82.) He also testified that Halo promoted its products by emphasizing its patented
9 technology. (*Id.* at 82-92; *see also* Pl.'s Trial Exs. 97 & 100.) However, another of Halo's
10 Vice Presidents testified that, in the beginning, the open construction design of the Halo's
11 patents was seen as unique, but it is more commonplace now because Halo's competitors
12 have also started using the design. (Jury Trial Tr. - Day 4 (Doc. #442) at 292.) Pulse is one
13 of Halo's largest competitors and began selling products that embody Halo's patented
14 design after Halo patented its design. (Jury Trial Tr. - Day 5 (Doc. #464) at 100, 133-37;
15 Jury Trial - Day 8 (Doc. #467) at 233-34; Jury Verdict (Doc. #482).) Therefore, Halo has
16 demonstrated that Pulse's infringement has contributed to a decrease in customer goodwill
17 towards Halo because Halo's patented design, which used to distinguish Halo, is now seen
18 as more common.¹ *See Douglas*, 2013 WL 2158423 at *6 ("Douglas's reputation as an
19 innovator will certainly be damaged if customers found the same 'innovations' appearing in
20 competitors' snowplows, particularly products considered less prestigious and
21 innovative.").

22
23 ¹ Pulse argues that Halo was complicit in its loss of customer goodwill because Halo has
24 granted licenses to some of its competitors, and does not require those licensees to identify their
25 products as using Halo technology. However, Halo issued press releases announcing that it had
26 licensed its patented technology to competitors. (Supp. Decl. of Craig E. Countryman in Support of
Halo's Mot. for Permanent Inj. (Doc. #516-1), Ex. 2.) Halo informing the public that the technology
was Halo's and these competitors were Halo's licensees shows Halo was concerned with informing
the public that this technology was Halo's and Halo was not complicit in any loss of goodwill.

1 As to price erosion, Halo offers evidence that Pulse “has sold its products at lower
2 average selling prices than Halo.” (Decl. of John L. Hansen in Support of Halo’s Mot. for
3 Permanent Inj. [“Hansen Decl.”] (Doc. #508) at ¶ 12.) Specifically, Halo provides evidence
4 of Halo’s and Pulse’s prices, number of sales, and profits on three different sets of
5 competing parts, which shows Pulse’s prices are generally lower and Pulse sells more of
6 these particular products. (*Id.* at ¶ 12 & Schedule 1 (for example, showing that in 2009
7 Pulse sold two infringing parts for \$0.63 and \$0.67, while Halo sold competing parts for
8 \$1.28 and \$1.13, respectively).) Halo’s damages expert stated that, based on this disparity
9 in pricing, “[h]ad Pulse not been in the market selling the infringing [parts], it is more likely
10 than not that Halo would have sold its product at a higher price.” (*Id.* at ¶ 12.)
11 Additionally, Halo presented evidence that when Halo dropped the price of one of its
12 products below that of Pulse’s competing infringing part, Halo sold more of and made more
13 profit on that part than Pulse did on its competing infringing part. (*Id.* at Schedule 1.)
14 Halo’s damages expert concluded that when Halo “suffers price erosion as a result of a
15 competitor offering competing products at a lower price, it could be difficult for Halo to
16 raise prices again later.” (*Id.* at ¶ 12.)

17 However, Pulse asserts that price erosion is not due to Pulse’s price undercutting, but
18 rather due to Chinese and Taiwanese companies selling low-cost “knock-offs.” (Munson
19 Decl. at ¶ 6; Decl. of Richard M. Holstrum (Doc. #515-2) at ¶ 8-9.) Pulse further asserts
20 that it “is not known in the industry as a price leader,” and that Pulse’s profit margin is due
21 to several factors other than price, such as Pulse’s reputation as a technology leader and for
22 providing high quality solutions, high-volume manufacturing capacity, and the fact that
23 Pulse is on the approved vendor list of the preferred supplier for many companies. (*Id.* at
24 ¶ 3-5.) Due to Pulse’s evidence of other reasons for price erosion in the surface mount
25 transformer market, price erosion does not weigh in favor of irreparable harm. Compare
26 with Robert Bosch, 659 F.3d at 1154 (finding un rebutted testimony about price erosion

1 from the patentee's director of product management was sufficient, even though noting the
2 patentee could have developed more clearly the effects of the infringer's conduct as
3 opposed to that of other competitors). Nevertheless, Halo has shown Pulse is its direct
4 competitor and Halo has lost sales and customer goodwill because of Pulse's infringement.

5 2. Nexus Between Infringement and Harm

6 The patentee must show a causal nexus between the infringement and the harm.
7 Apple, Inc. v. Samsung Elecs. Co., 678 F.3d 1314, 1324 (Fed. Cir. 2012). "[I]rreparable
8 harm cannot be shown if sales would be lost regardless of the infringing conduct," such as
9 if the patented feature does not drive the demand for the product. Id. (finding, at the
10 preliminary injunction stage, no nexus because "while there was evidence that [the patented
11 design] had some effect on smartphone sales, there was considerable countervailing
12 evidence indicating that it was not a determinative factor in consumer decisionmaking").

13 Halo has proven a nexus between its harm and Pulse's infringement. Halo presented
14 evidence at trial that Halo's patented design was successful because it solved the problem of
15 enclosed surface mount transformers cracking under the high heat needed to solder the part.
16 (Jury Trial Tr. - Day 9 (Doc. #468), at 256-57.) Pulse stated in a letter to its customers in
17 2006 that it changed its products from molded construction to open construction to meet the
18 higher soldering requirements. (Pl.'s Trial Ex. 253; Jury Trial Tr. - Day 5 (Doc. #464) at
19 147-48.) Pulse also stated in strategy documents in 2009 that it planned to completely
20 change over its surface mount transformers to open header style products. (Pl.'s Trial Ex.
21 235; Jury Trial Tr. - Day 5 (Doc. #464) at 148-49.) An email from Pulse's marketing
22 employee also indicated that Pulse was trying to design all new discretes, which includes
23 surface mount transformers, using an open header package, and listed three infringing
24 products as examples. (Pl.'s Trial Ex. 260; Jury Trial Tr. - Day 5 (Doc. #464) at 149-50.)
25 This supports the inference that the customers preferred and purchased Halo's open header
26 design because it solved the problem with high heat soldering.

1 Pulse's Director of Marketing testified there were instances where customers
2 preferred open header or transfer molded, but the majority of customers had no preference
3 and made a decision based on cost. (Jury Trial Tr. - Day 7 (Doc. #466) at 318-20.)
4 However, Halo has presented sufficient evidence to show that customers purchase the
5 infringing products because they can survive the high heat soldering better than transfer
6 molded parts, and thus Halo has shown a nexus between Pulse's infringement and Halo's
7 irreparable harm.

8 3. Halo's Prior Licensing to Competitors

9 Prior instances of the patentee granting licenses to other competitors to use its patented
10 design is a factor that may be taken into account in the irreparable harm analysis. eBay,
11 547 U.S. at 393; Acumed LLC v. Stryker Corp., 551 F.3d 1323, 1328 (Fed. Cir. 2008).
12 However, there is no categorical bar against granting permanent injunctive relief when the
13 patentee licenses its patents to others. eBay, 547 U.S. at 393; Acumed, 551 F.3d at 1328
14 ("A plaintiff's past willingness to license its patent is not sufficient per se to establish lack
15 of irreparable harm if a new infringer were licensed."). Thus, a patentee may be able to
16 show irreparable harm even if it licenses its patents. eBay, 547 U.S. at 393.

17 That Halo licenses the use of its patented technology to competitors does not negate a
18 finding of irreparable harm. Halo's licensees are Wurth Midcom, E&E, Bel Fuse, and
19 XFMRS, all of which are Halo's competitors. (Jury Trial Tr. - Day 5 (Doc. #464) at 93-94.)
20 Bel Fuse and E&E also are the other two companies, in addition to Halo and Pulse, that are
21 approved transformer suppliers for Cisco. (Dep. of Hugh Kennedy (Doc. #494) at 33-34.)
22 Thus, Halo competes directly with two of its licensees for the same client.

23 However, Halo has presented evidence that Pulse is one of Halo's largest competitors,
24 Pulse is larger than Halo and its licensees, and that it is "likely that Pulse's infringement
25 imposes greater harm on Halo" than its current licensees. (Hansen Decl. ¶ 13; Jury Trial Tr.
26 - Day 5 (Doc. #464) at 99-100, 137; Jury Trial Tr. - Day 9 (Doc. #468) at 68.) Furthermore,

1 Halo's licenses contain additional non-monetary terms, such as agreements not to make
2 public statements about the validity or enforceability of the Halo patents, which, in the
3 absence of an injunction, Pulse would not have to agree to even if ordered to pay a
4 reasonable royalty fee. (Pl.'s Trial Exs. 124 § 8.1, 134 § 8.2, 160 § 8.2, 161 § 4.1.)
5 Therefore, while Halo's licenses provide evidence that in certain situations and with certain
6 competitors Halo may be willing to accept a license, Pulse poses a larger threat for which a
7 royalty fee might not fully compensate Halo for Pulse's infringement. See Acumed, 551
8 F.3d at 1329 ("Adding a new competitor to the market may create an irreparable harm that
9 the prior licenses did not.").

10 4. Halo's Delay

11 "[D]elay in bringing an infringement action and seeking a preliminary injunction are
12 factors that could suggest that the patentee is not irreparably harmed by the infringement."
13 Apple, 678 F.3d at 1325; Hybritech Inc. v. Abbott Labs., 849 F.2d 1446, 1457 (Fed. Cir.
14 1988) ("The period of delay exercised by a party prior to seeking a preliminary injunction
15 in a case involving intellectual property is but one factor to be considered by a district court
16 in its analysis of irreparable harm."). However, there is no per se rule that failure to seek a
17 preliminary injunction or to file suit soon after learning of the infringement precludes a
18 finding of irreparable harm. Apple, 678 F.3d at 1325-26; Mytee Prods., Inc. v. Harris
19 Research, Inc., 439 F. App'x 882, 888 (Fed. Cir. 2011).

20 Here, Halo's delay in filing suit, its agreement to stay the litigation pending the patent
21 re-examination, and its failure to move to lift the stay do not negate Halo's showing of
22 irreparable harm. First, as explained in this Court's Findings of Fact and Conclusions of
23 Law, Halo's delay in bringing suit was not for the purpose of accruing damages, but rather
24 due to circumstances largely out of the control of Halo and its officers. (Order (Doc. #522)
25 at 22-23.) Further, Halo's agreement to stay the case was a reasonable litigation strategy to
26 support Halo's contentions that its patents were valid and Pulse was infringing. The Court

1 ordered the stay lifted in the case because given that the reexamination of the Halo patents
2 could have taken several more years, no good cause remained to continue staying the
3 proceedings. (Order (Doc. #79).) Thus, Halo's failure to move to lift the stay also does not
4 show a lack of irreparable harm because the re-examination was still pending when the
5 Court lifted the stay.

6 Halo's failure to seek a preliminary injunction, however, provides some support for
7 Pulse's position that Halo is not irreparably harmed by Pulse's infringement. The patentee
8 seeking a preliminary injunction is not a prerequisite to a finding of irreparable harm.
9 Mytee Prods., 439 F. App'x at 888 ("While we have held that delay in seeking an injunction
10 is a factor to be considered in determining whether to issue a preliminary injunction, we
11 have never held that failure to seek a preliminary injunction must be considered as a factor
12 weighing against a court's issuance of a permanent injunction."). Nevertheless, Halo's
13 failure to file for a preliminary injunction gives some indication that Halo is not irreparably
14 harmed by Pulse's infringement.

15 However, Halo's failure to file for a preliminary injunction is not enough to tip the
16 balance of the evidence in favor of Pulse. Halo has made a showing that it has suffered lost
17 sales and a loss of customer goodwill, and that there is a nexus between its harm and
18 Pulse's infringing product sales. Although Pulse has presented evidence that undermines
19 Halo's evidence on price erosion, Halo has shown it was irreparably harmed in other ways,
20 and will continue to be irreparably harmed in the absence of an injunction. Additionally,
21 Halo licensing its patented design to other competitors does not show that Pulse's
22 infringement does not cause Halo irreparable harm because Pulse is a different type of
23 competitor. Thus, considering all of the evidence, the irreparable harm factor weighs in
24 favor of granting an injunction.

25 ///

26 ///

1 **B. Inadequacy of Damages**

2 Halo argues that damages are inadequate to compensate it for Pulse's infringement for
3 essentially the same reasons that Halo is irreparably harmed. Halo asserts that the damages
4 resulting from its lost sales and lost customer goodwill are difficult to quantify and
5 calculate. Halo further argues that Pulse's poor financial condition also shows a damages
6 award would be inadequate to compensate Halo because it is unlikely Pulse will be able to
7 pay future royalty fees.

8 Pulse responds that money damages are adequate to compensate Halo for Pulse's
9 future infringement because Halo's licensing program demonstrates Halo can place a price
10 on future infringement. Pulse further argues that it is in stable financial condition and
11 would be able to pay a royalty fee for future infringement.

12 To determine whether damages would be inadequate to compensate the patentee,
13 courts "consider the extent to which a forward-looking monetary award is a viable or
14 meaningful alternative to an injunction." Robert Bosch, 659 F.3d at 1156. This includes
15 considering the evidence submitted to prove irreparable harm, as "the issues of irreparable
16 harm and adequacy of remedies at law are inextricably intertwined." ActiveVideo
17 Networks, Inc. v. Verizon Commc'ns, Inc., 694 F.3d 1312, 1337 (Fed. Cir. 2012); Robert
18 Bosch, 659 F.3d at 1155 (finding money damages inadequate when patentee had
19 demonstrated irreparable harm from lost market share, lost business opportunities, and price
20 erosion because there was "no reason to believe that [the infringer] will stop infringing, or
21 that the irreparable harms resulting from its infringement will otherwise cease, absent an
22 injunction"); Douglas, 2013 WL 2158423 at *6 ("This court finds remedies at law
23 inadequate to compensate [the patentee] for at least the reputation loss [the patentee] has
24 suffered from the [infringer's] infringement.").

25 "Difficulty in estimating monetary damages is evidence that remedies at law are
26 inadequate." i4i Ltd. P'ship v. Microsoft Corp., 598 F.3d 831, 862 (Fed. Cir. 2010).

1 However, if the harm to a patentee that will be caused by future infringement is readily
2 quantifiable, then the payment of a royalty fee for that damage may be adequate
3 compensation. See ActiveVideo, 694 F.3d at 1337-38 (finding damages adequate because
4 the patentee and infringer were not direct competitors, the patentee licensed its service to a
5 third party that competed with the infringer, and the harm the patentee suffered was
6 quantifiable and adequately compensable by a monthly royalty fee for each customer that
7 signed up with the infringer rather than the patentee's licensee).

8 Finally, "the grant of previous licenses, the identity of the past licensees, the
9 experience in the market since the licenses were granted, and the identity of the new
10 infringer all may affect the district court's discretionary decision concerning whether a
11 reasonable royalty from an infringer constitutes damages adequate to compensate for the
12 infringement." Acumed, 551 F.3d at 1328; see also ActiveVideo, 694 F.3d at 1340 (finding
13 "extensive licensing, licensing efforts, solicitation of the [infringer] over a long period of
14 time preceding and during litigation, and no direct competition between [the infringer and
15 the patentee]" showed that money damages could adequately compensate the patentee for
16 the infringement). However, that the patentee licenses its patents to others does not always
17 demonstrate that damages are adequate to compensate for future irreparable harm. See
18 Broadcom Corp. v. Qualcomm Inc., 543 F.3d 683, 702-03 (Fed. Cir. 2008) (finding
19 patentee's license to another competitor did not show damages were adequate because the
20 nature of the market for the patented product was "design win," meaning the exclusion of a
21 certain competitor would have a competitive effect even if the patentee did not have a
22 product immediately available for sale).

23 An infringer's "questionable financial condition" also can show damages would be an
24 inadequate remedy. Robert Bosch, 659 F.3d at 1155 ("A district court should assess
25 whether a damage remedy is a meaningful one in light of the financial condition of the
26 infringer before the alternative of money damages can be deemed adequate."). Evidence

1 which may show an infringer's inability to satisfy a judgment includes reports indicating
2 the infringer is at risk of severe financial stress, such as bankruptcy. Id. at 1154.

3 Here, damages would be inadequate to compensate Halo for Pulse's infringement for
4 many of the same reasons that Halo is irreparably harmed by the infringement. Halo has
5 lost sales to Pulse and Pulse's infringement has caused Halo to lose customer goodwill.
6 Although ordering Pulse to pay a royalty fee for each sale of an infringing product, at least
7 in the United States, might compensate Halo for lost sales, the loss of customer goodwill
8 cannot be compensated by a reasonable royalty payment, thus weighing in favor of an
9 injunction. Additionally, Halo is a small company, the patented technology is incorporated
10 into nearly all of its surface mount transformers, and the technology allows Halo to
11 distinguish itself over large competitors. (Jury Trial Tr. - Day 2 (Doc. #435) at 13, 82, 108-
12 09; Pl.'s Trial Exs. 97 & 100.) This further shows Halo has suffered harm that is difficult to
13 quantify. See i4i Ltd., 598 F.3d at 862 (affirming a finding that damages were inadequate
14 in a situation where a "small company was practicing its patent, only to suffer a loss of
15 market share, brand recognition, and customer goodwill as the result of the defendant's
16 infringing acts").

17 That Halo has licensed its patented technology to other competitors, and offered to
18 license the technology to Pulse, does not mean monetary damages would be adequate to
19 compensate Halo for Pulse's continued infringement. Halo's licenses contain non-monetary
20 terms, which this Court could not impose upon Pulse in the absence of an injunction. (Pl.'s
21 Trial Exs. 124 § 8.1, 134 § 8.2, 160 § 8.2, 161 § 4.1.) Furthermore, Halo has shown Pulse
22 is one of Halo's largest competitors and thus Pulse poses a greater threat for which a royalty
23 fee might not fully compensate Halo for Pulse's infringement.

24 As to Pulse's financial condition, Halo has presented evidence that Pulse is not doing
25 well financially. (Countryman Decl., Exs. E-J.) However, in a declaration in support of
26 Pulse's opposition to Halo's permanent injunction request, Pulse's representative stated that

1 following the jury verdict, Pulse began accruing reserves to pay the damages awarded,
2 anticipated future royalties, and any applicable interest. (Munson Decl. ¶ 7.) Pulse also has
3 entered into a large recapitalization agreement with a third party to aid Pulse's recovery
4 from its recent financial hardships. (Countryman Decl., Exs. H & I.) Pulse's preparation to
5 pay damages, combined with its recapitalization agreement, shows that Pulse could be able
6 to cover the damages awarded thus far and any future royalty. Thus, Pulse's financial
7 condition does not weigh in favor of finding damages inadequate to compensate Halo.

8 However, Halo has shown that it has suffered irreparable harm that is difficult to
9 quantify, particularly its loss in customer goodwill. There is no reason to believe that Pulse
10 will cease its infringing activity, and thus Halo's irreparable harm will not abate without an
11 injunction. Therefore, the inadequacy of damages weighs in favor of granting an
12 injunction.

13 **C. Balance of the Hardships**

14 Halo argues that the irreparable harm it would face without an injunction shows it
15 would face significant hardship as well. Halo asserts that Pulse, on the other hand, would
16 suffer no hardship that can tip the balance in Pulse's favor because any hardship Pulse
17 suffers is due to Pulse's unlawful activities. Halo also argues that Pulse's trial assertions
18 that it could switch to a different, non-infringing design, shows that Pulse actually would
19 not be harmed by an injunction.

20 Pulse responds that Halo has not shown that allowing Pulse to continue infringing
21 while paying a royalty fee to Halo would create a hardship for Halo. Pulse also argues that
22 enjoining Pulse's sales of its accused products would be extraordinarily disruptive and
23 burdensome to Pulse because Pulse likely would be unable to honor its existing contracts.
24 Pulse further contends that if an injunction were granted it would be required to modify its
25 manufacturing process at great cost, which would waste resources because Halo's patents
26 expire in just two years.

1 The balance of the hardships assesses the relative effect on the parties of granting or
2 denying an injunction. i4i, 598 F.3d at 862; Acumed, 551 F.3d at 1330 (stating that “the
3 balance considered is only between a plaintiff and a defendant”). A patentee being forced
4 to compete against its own patented invention can be a substantial hardship which
5 outweighs the burden placed on an infringer resulting from an injunction. Robert Bosch,
6 659 F.3d at 1156. Furthermore, “a party cannot escape an injunction simply because . . . its
7 primary product is an infringing one.” Id. While balancing the hardships, a district court
8 does not abuse its discretion by disregarding an infringer’s expenses in designing,
9 marketing, or redesigning its infringing products. i4i, 598 F.3d at 863; Acumed, 551 F.3d
10 at 1330.

11 Here, Halo directly competes with Pulse, which results in lost sales and lost customer
12 goodwill. Thus, Halo’s hardships associated with Pulse’s infringement weigh in favor of
13 granting an injunction. See Robert Bosch, 659 F.3d at 1156 (finding the balance of the
14 hardships weighed in favor of granting an injunction when the patentee would be required
15 to compete against its own patented invention in the absence of an injunction).

16 Pulse argues that it would be unable to fulfill certain contractual obligations to provide
17 open header surface mount transformers if the Court grants Halo permanent injunctive
18 relief. (Munson Decl. ¶ 9.) Pulse further asserts that forcing Pulse to cease selling its
19 infringing products would be costly and disruptive to Pulse’s business. (Id. ¶¶ 10 & 11.)
20 However, costs and disruption to Pulse’s business due to switching to a non-infringing
21 design do not sway the balance of the hardships in Pulse’s favor. See i4i, 598 F.3d at 863
22 (finding the cost of redesigning the infringing products “irrelevant” and the infringer “is not
23 entitled to continue infringing simply because it successfully exploited its infringement”);
24 Acumed, 551 F.3d at 1330 (“We also see no abuse of discretion in the court’s decision not
25 to consider Stryker’s expenses in designing and marketing the T2 PHN, since those
26 expenses related to an infringing product.”). Furthermore, Pulse’s representative testified at

1 trial that it could switch to a different, non-infringing design to meet its customers' needs.
2 (Jury Trial Tr. - Day 6 (Doc. #465) at 41-42.) Thus, Pulse's costs associated with changing
3 to a non-infringing design and any disruption to its business if it were required to stop
4 making infringing sales does not tip this factor in Pulse's favor.

5 That the injunction would last only until August 2015, at which time the Halo patents
6 expire, also does not tip the balance in Pulse's favor. See Atlas Powder Co. v. Ireco
7 Chems., 773 F.2d 1230, 1234 (Fed. Cir. 1985) ("The fact that the patent has only one year
8 to run is not a factor in favor of [the infringer] in the balance of equities. Patent rights do
9 not peter out as the end of the patent term, usually 17 years, is approached."). Thus, Halo's
10 hardships resulting from Pulse's continued infringement outweigh Pulse's hardships if it
11 were forced to stop infringing.

12 However, Pulse has a cognizable interest in making non-infringing sales outside of the
13 United States. These non-infringing sales should not be hindered by injunctive relief. But,
14 any hardship on Pulse's non-infringing sales can be avoided by narrowly tailoring the scope
15 of the injunction so that it does not inhibit Pulse's non-infringing sales. Consequently,
16 limiting the scope of the injunction can alleviate Pulse's potential hardship, but an
17 injunction is the proper remedy to address Halo's hardships.

18 **D. Public Interest**

19 Halo argues an injunction would not disserve the public interest because an injunction
20 would favor the strong public interest of enforcing patent rights, and there is no public
21 safety risk associated with granting an injunction. Halo further argues that third parties will
22 not suffer any harm if Pulse were enjoined, because Halo and its licensees provide
23 alternative sources for surface-mount transformers.

24 Pulse responds that the public interest would not be served by an injunction because
25 Halo has not shown that Halo and its licensees could fulfill the demand which would be
26 created by enjoining Pulse from selling its infringing products. Thus, Pulse concludes that

1 an injunction would adversely affect Pulse's customers, its customers' customers, and
2 consumers of electronic products.

3 "[T]he touchstone of the public interest factor is whether an injunction, both in scope
4 and effect, strikes a workable balance between protecting the patentee's rights and
5 protecting the public from the injunction's adverse effects." i4i, 598 F.3d at 863; see also
6 ActiveVideo, 694 F.3d at 1341 ("The proper question on the public interest should be: will
7 an injunction harm a specific public interest that outweighs the public's interest in a robust
8 patent system?" (quotation omitted)). Relevant to this analysis is whether the public still
9 may obtain the patented products from another source if the infringer is enjoined. Celsis In
10 Vitro, 664 F.3d at 932.

11 Here, although Halo has presented evidence that Halo and its licensees sell the
12 patented design to some of the same customers as Pulse, Halo has not presented specific
13 evidence showing that if injunctive relief were granted Halo or its licensees could fulfill the
14 demand created by Pulse's absence. The evidence indicates that Pulse is one of Halo's
15 largest competitors, while Halo is a relatively small player in the surface-mount transformer
16 market and would potentially acquire around 1.3 percent of Pulse's sales if Pulse were
17 taken out of the market. (Jury Trial Tr. - Day 5 (Doc. #464) at 100, 133-37; Jury Trial Tr. -
18 Day 9 (Doc. #468) at 44-45.) Furthermore, Pulse's representative stated that the public
19 interest would be disserved by an injunction because Pulse customers would be forced to
20 switch to different Pulse products, which would require the customers to spend time and
21 money approving the new products. (Munson Decl. ¶ 12.) Pulse's representative concludes
22 this ultimately would be disruptive to the public who purchase consumer electronics. (Id.)
23 Thus, there is evidence that customers of Halo's patented surface-mount transformer design,
24 as well as the public, may be disserved by an injunction.

25 However, that Halo and its licensees sell Halo's patented design, combined with
26 Pulse's stated ability to meet customer needs with other non-infringing designs, minimize

1 the risk of a supply shortage of surface-mount transformers with Halo's patented design.
2 And, overall, the weight of the evidence is in favor of Halo receiving a permanent
3 injunction to enjoin Pulse's infringement. The Court therefore finds Halo is entitled to
4 injunctive relief to prohibit Pulse's infringement.

5 **E. Scope of Injunction**

6 Halo submits that, in addition to the standard provisions prohibiting direct and induced
7 infringement, the injunction should include specific provisions that prevent further induced
8 infringement. First, Halo argues Pulse should be required to send a letter to Pulse's
9 customers and its customers' customers stating the infringing products cannot be used, sold,
10 offered for sale, or imported into the United States. Second, Halo argues that Pulse should
11 be required to add a disclaimer to all communications about the infringing products stating
12 that the infringing products cannot be used, sold, offered for sale, or imported into the
13 United States. Third, Halo argues Pulse should be required to stop obtaining a United
14 States specific certification for the infringing products. Finally, Halo argues Pulse should
15 be required to include a copy of the injunction in all shipments of infringing products
16 outside the United States, as well as a notice indicating the part shipped is affected by the
17 injunction.

18 Pulse argues that Halo's proposed injunctive relief is overbroad. Specifically, Pulse
19 argues that the verdict shows the jury rejected Halo's estimates of how many of Pulse's
20 infringing products sold outside of the United States ultimately were shipped back into the
21 United States. Pulse thus argues that Halo has failed to prove that Pulse's foreign sales are
22 infringing, and therefore Halo should not be granted injunctive relief with provisions
23 regarding Pulse's foreign sales.

24 In a patent infringement matter, "the only acts [an] injunction may prohibit are
25 infringement of the patent by the adjudicated devices and infringement by devices not more
26 than colorably different from the adjudicated devices." Int'l Rectifier Corp. v. IXYS Corp.,

1 383 F.3d 1312, at 1316 (Fed. Cir. 2004). Furthermore, “a trial court, upon a finding of
2 infringement, must narrowly tailor an injunction to fit the specific adjudged violations.”
3 Riles v. Shell Exploration & Prod. Co., 298 F.3d 1302, 1311 (Fed. Cir. 2002). “Thus, an
4 injunction cannot impose unnecessary restraints on lawful activity.” Id. at 1311.

5 Here, the jury found that Pulse directly infringed and induced others to infringe the
6 asserted patent claims. (Jury Verdict (Doc. #482).) Halo’s theory for induced infringement
7 was that Pulse sold its infringing parts to foreign customers, and the parts were then
8 incorporated into final products that eventually were sold into the United States. Thus, at
9 least some portion of Pulse’s foreign sales are infringing because the jury found induced
10 infringement. Therefore, prohibitions on Pulse’s sales of the infringing products in the
11 United States, as well as specific provisions to address future induced infringement
12 resulting from Pulse’s foreign sales, are proper.

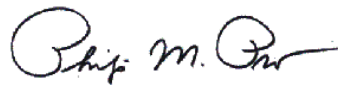
13 Specifically, Halo’s request that Pulse be prohibited from seeking United States
14 specific certification of its infringing parts and that Pulse be required to send a copy of the
15 injunction with each foreign shipment of infringing parts are reasonably tailored to prevent
16 further induced infringement. First, Halo presented evidence that when a product is going
17 to be sold in the United States, it needs to be “UL recognized or certified.” (Jury Trial Tr. -
18 Day 2 (Doc. #435) at 251-56.) Pulse’s designated witness under Federal Rule of Procedure
19 30(b)(6) recognized the UL certification was United States specific and meant that Pulse’s
20 part was “eligible to be used in a system that has the possibility of being shipped in the
21 United States.” (Jury Trial Tr. - Day 5 (Doc. #464) at 41-42.) Prohibiting Pulse from
22 seeking United States specific UL certification of its infringing parts would further ensure
23 that the infringing parts Pulse sells overseas are not imported back into the United States.
24 Second, Halo’s request for a provision requiring that Pulse include a copy of the injunction
25 in every delivery of infringing parts made outside of the United States is narrowly tailored
26 to prevent further induced infringement in a minimally invasive and burdensome manner.

1 However, the Court denies Halo's other requested relief specific to induced
2 infringement. The Court denies Halo's request that Pulse be required to send a letter to
3 Pulse's customers, as a copy of the injunction sent with every future foreign shipment of
4 Pulse's infringing products is adequate to give Pulse's customers notice of the injunction
5 and prevent further induced infringement. Furthermore, the Court denies Halo's request
6 that Pulse be required to send Pulse's customers' customers a letter notifying them of the
7 injunction because Halo has not shown this would not place too great a burden on Pulse to
8 determine the identity of Pulse's customers' customers. The Court also denies Halo's
9 request that Pulse be required to add a disclaimer to all communications about the
10 infringing products because it is overly burdensome. The copy of the injunction included in
11 any actual foreign shipments of the infringing products is sufficient to provide customers
12 notice of the injunction. Finally, the Court denies Halo's request that the copy of the
13 injunction sent with every foreign shipment of the infringing products be accompanied by a
14 notice indicating the part shipped is affected by the injunction is redundant, as the copy of
15 the injunction provides adequate notice.

16 **II. CONCLUSION**

17 **IT IS ORDERED** that Plaintiff Halo Electronics, Inc.'s Motion for a Permanent
18 Injunction (Doc. #505) is hereby **GRANTED**.

19
20 DATED: June 17, 2013



21
22 **PHILIP M. PRO**
United States District Judge